



30 June 1959

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Brig. General Andrew J. Goodpaster
Staff Secretary
The White House
Washington, D. C.

Dear Andy:

I enclose a copy of a letter of today's date to the President regarding certain features of our accounting procedures here in the Agency. I hesitate to bother the President with such details. However, I felt he should be apprised of the problem since full compliance with the wishes of the Kilday Committee and the Comptroller General might create a dangerous precedent and affect the independence and security of this Agency in carrying out its primary responsibilities to the President and the NSC.

Possibly it would be a good idea to get Gerry Persons, Gerry Morgan, or Bryce Harlow to have a look at this problem and to get their views before we talk to the President about it.

Faithfully yours,

SIGNED

Allen W. Dulles
Director

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Enclosure

MORI/CDF Pages 2 & 3

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30 JUN 1959

Edwin Hoover
The President
The White House
Washington 25, D. C.

Dear Mr. President:

I have received a letter dated June 18, 1959, from Representative Paul J. Kilday, Chairman of the CIA Subcommittee of the House Armed Services Committee, concerning the audit of the so-called vouchered funds of this Agency as distinguished from the funds expended for highly classified confidential purposes. With this letter Mr. Kilday sent me a communication to him from the Comptroller General on the same subject.

The Comptroller General notes that since the enactment of Central Intelligence Agency legislation the General Accounting Office has generally broadened the type of audit made of activities of most Government agencies but that with the Central Intelligence Agency it has continued to make only a voucher audit of vouchered funds and no audit of confidential funds. He, therefore, recommends "... a change in the scope of our audit work at CIA . . ." by broadening the General Accounting Office's audit while recognizing that "Any broadening of our audit activities should not include an evaluation of the intelligence activities of the Agency." Mr. Kilday, speaking for his Subcommittee in his letter of June 18th, recommends that the Agency consider with the Comptroller General "a broader type of audit than is presently accomplished."

The history and facts in this matter are as follows: Section 10(b) of the Central Intelligence Agency Act of 1949 provides

"The sums made available to the Agency may be expended without regard to the provisions of law and regulations relating to the expenditure of Government funds; and for objects of a confidential, extraordinary, or emergency nature, such expenditures to be accounted for solely on the certificate of the Director and every such certificate shall be deemed a sufficient voucher for the amount therein certified."

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In view of the close interrelation of all of this Agency's activities, I believe it could have been correctly argued that all of the funds of the Agency should be expended under the authority of this section so that none of them would be subject to outside audit. However, it has been our practice, as you know, to put as much of our expenditures on the "vouchered" side as is possible and still protect sensitive activities. Such expenditures have been subject to a voucher audit by representatives of the General Accounting Office. All other expenditures have been subject to the strictest kind of internal control and auditing by our own Audit Staff and Comptroller. The proportion as between

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I would be pleased to continue with these procedures; however, if there is a broadening of the General Accounting Office's review into a comprehensive audit of the vouchered side, we will encounter serious problems as such an examination would necessarily extend into the field of intelligence sources and methods unless its scope were limited at our direction.

The Central Intelligence Agency is a particularly sensitive arm of the executive branch of the Government in the general field of foreign relations, and I would not wish its usefulness to be impaired in any way by accepting from a body responsible to the legislative branch or from the legislative branch a measure of control or supervision detrimental to its effectiveness. Accordingly, I felt I should submit these facts to you. At the same time, I would suggest that I discuss the matter with the Comptroller General, Mr. Campbell, as well as Mr. Kilday, if you approve, to determine whether a form of audit of so-called vouchered funds satisfactory to the General Accounting Office and to Mr. Kilday and his Subcommittee can be agreed upon without impairing the powers and authorities with regard to expenditures for confidential purposes which we have found essential to our operations.

If you agree, I shall proceed to have such conversations and I shall report the results to you without reaching any commitment until I have obtained your concurrence.

Sincerely,

SIGNED

Allen W. Dulles
Director

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Distribution sheet for letter to the President from the Director,
dated _____, concerning GAO audit

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OGC:LRH:jeb

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